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**TOP SECRET
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1096

GENERAL

1. Yugoslavia seeks Security Council seat--The US delegation to the UN reports that Yugoslav representatives have approached a number of delegations, including the US, seeking support for election to the Security Council. According to the US representatives, the immediate response of other delegations to this overture was mixed, but a general trend toward favoring the Yugoslavs appears to be forming.

(CIA Comment: CIA estimates that despite the propaganda advantages resulting from a General Assembly election of Yugoslavia as successor to the Ukraine in the SC, such action would not improve the US position vis-a-vis the USSR in the UN and would diminish chances for Soviet cooperation during the present General Assembly session.)

2. Indian views regarding recognition of Far East regimes--US Embassy New Delhi has been told by a high Indian official that India's attitude toward establishing relations with new regimes in China and Indochina will be determined primarily by the internal situation rather than the Communist issue. The official expressed the belief that India would in due course have to recognize the authority of the Chinese Communist government--which he understands will be proclaimed in early October--because not to do so would strengthen the Chinese Communists who insist that the new regime cooperate only with the USSR. Concerning the Bao Dai-Ho Chi Minh rivalry in Indochina, the official implied that India's attitude will be determined more by the degree of genuine popular support each possesses than by evidence that Ho Chi Minh is a Soviet puppet.

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State Dept. review completed

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EUROPE

3. **UNITED KINGDOM: Political effects of devaluation--**
US Embassy London comments that devaluation of the pound has been well received in most responsible British quarters except the trade unions, explaining that labor leaders fear they will not be able to restrain new wage demands as a result of the higher cost of living. The Embassy estimates that the cost of living will increase by some 5% in the next six months and that general pressure for higher wages will not become serious before next spring. The Embassy considers that devaluation has increased the odds in favor of a fall election but points out that Labor Party leaders are at present divided on the question. According to the Embassy, if the Government does not receive a new mandate this fall, it will have a "very rough time" during the next six months trying to impose the unpopular decisions which are necessary if Britain is to benefit fully from devaluation.

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